

correcting deficiencies. When the ACO determines the deficiencies have been corrected, the ACO must notify the contractor in writing. If the contractor fails to make adequate progress, the ACO must take further action. The ACO may—

- (i) Elevate the issue to higher level management;
- (ii) Further reduce progress payments and/or disallow costs on vouchers;
- (iii) Notify the contractor of the inadequacy of the contractor's cost estimating system and/or cost accounting system; and
- (iv) Issue cautions to contracting activities regarding the award of future contracts.

242.7204 Contract clause.

Use the clause at 252.242-7004, Material Management and Accounting System, in all solicitations and contracts exceeding the simplified acquisition threshold that are not for the acquisition of commercial items and—

- (a) Are not awarded to small businesses, educational institutions, or nonprofit organizations; and
- (b) Are either—
 - (1) Cost-reimbursement contracts; or
 - (2) Fixed-price contracts with progress payments made on the basis of costs incurred by the contractor as work progresses under the contract.

Subpart 242.73—Contractor Insurance/Pension Review

242.7300 Scope of subpart.

This subpart provides the requirements for conducting a Contractor Insurance/Pension Review (CIPR).

242.7301 General.

(a) The administrative contracting officer (ACO) is responsible for determining the allowability of insurance/pension costs in Government contracts. Defense Contract Management Agency (DCMA) insurance/pension specialists and Defense Contract Audit Agency (DCAA) auditors assist ACOs in making these determinations by conducting CIPRs.

(1) A CIPR is an in-depth evaluation of a contractor's—

- (i) Insurance program;

- (ii) Pension plans;

- (iii) Other deferred compensation plans; and

- (iv) Related policies, procedures, practices, and costs.

(2) A special CIPR is a joint DCMA/DCAA review that concentrates on specific areas of the contractor's insurance program, pension plan, or other deferred compensation plan.

(b) DCMA is the DoD Executive Agency for the performance of all CIPRs conducted under 242.7302.

[63 FR 40374, July 29, 1998, as amended at 65 FR 52953, Aug. 31, 2000]

242.7302 Requirements.

(a)(1) A CIPR shall be conducted only when—

- (i) A contractor has \$40 million of qualifying sales to the Government during the contractor's preceding fiscal year; and

- (ii) The ACO, with advice from DCMA insurance/pension specialists and DCAA auditors, determines a CIPR is needed based on a risk assessment of the contractor's past experience and current vulnerability.

(2) Qualifying sales are sales for which cost or pricing data were required under 10 U.S.C. 2306a, as implemented in FAR 15.403, or that are contracts priced on other than a firm-fixed-price or fixed-price with economic price adjustment basis. Sales include prime contracts, subcontracts, and modifications to such contracts and subcontracts.

(b) A special CIPR shall be performed for a contractor (including, but not limited to, a contractor meeting the requirements in paragraph (a) of this section) when any of the following circumstances exists, but only if the circumstance(s) may result in a material impact on Government contract costs:

- (1) Information reveals a deficiency in the contractor's insurance/pension program.

- (2) The contractor proposes or implements changes in its insurance, pension, or deferred compensation plans.

- (3) The contractor is involved in a merger, acquisition, or divestiture.

- (4) The Government needs to follow up on contractor implementation of prior CIPR recommendations.